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WHAT HAPPENED TO THE STATE SUR-

Most state spending for universities and local schools, property tax relief, corrections, Medicaid and other public assistance programs comes from the State General Fund/Property Tax Replacement Fund. Annual General Fund spending totals about \$10 billion. The State typically maintains an unappropriated balance or surplus" in the General Fund.

Annual growth in tax revenue varies depending on the national business cycle. In the mid to late 1990s, the economy was expanding. The state experienced annual revenue growth of 7 to 8 percent. Since the state collected more revenue than spent, the surplus grew reaching a record 2.1 billion, or 24 percent of annual operating revenues, at the end of FY 1998.

However, since FY 1998 the state's surplus has steadily decreased. In July 2001 the State Budget Agency estimated that the budget for the current biennium would leave a surplus on June 30, 2003 of 616 million, only a 6 percent cushion. So, why has the state surplus been shrinking

and what does it mean for the state's budget? The surplus has been shrinking for two reasons; tax reductions and relatively high spending levels.

Since 1998 targeted tax reductions have reduced taxes for Hoosier families (and revenue collections for the state) by more than \$1.5 billion. As a result, annual State tax collections today are lower than they would have been if taxes had not been reduced.

The second, and more important, reason for a shrinking surplus is overspending brought on by poor fiscal management. From FY 1995 to FY 2000, total state spending grew each year by an average of about 6.6 percent – about triple the rate of inflation. For FY 2001, the state spent about \$800 million more than it collected in revenue.

The state's fiscal condition has grown worse more quickly than expected due to the current economic slowdown. State revenue collections grew by just 3 percent in FY 2000 and collections actually

dropped by about 1 percent in FY 2001. This structural deficit (and related base spending levels) is probably the most difficult fiscal issue facing the State.

Senate Republicans recognized a growing structural deficit and the potential for future budget shortfalls in the 2000 session of the General Assembly. The Senate passed SB 21 which would have limited annual increases in state expenditures to amounts consistent with annual growth in inflation and population. Had similar spending controls been in place over the past several years the state would probably not have a structural deficit today.

The attacks on the World Trade Center sent a shock through the economy. And, the State Tax Board is completing plans for the state-wide reassessment of real and personal property to be conducted early next year. The effects of these actions will not be fully known for some time so it not clear at this time what actions need to be taken by the General Assembly.

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IN A SENATE SECOND



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In an Average
Week In
Indiana:

1,605
babies are born

223
babies are born
to teenage
mothers
(ages 15-19)

61
babies are born
to mothers who
receive late or
no prenatal
care

123
babies are born
low birthweight

21
babies are born
with very low
birthweight

13
babies die
before their
first
birthday

GENERAL ASSEMBLY, PRESIDENT BUSH
WORKING ON WAYS TO COMBAT
TERRORISM IN INDIANA, NATIONWIDE

On the morning of September 11, 2001, America's innocence was shattered. We now live in a new America, an America which has sworn that those behind these cowardly acts will be hunted down so they will not triumph again.

Within this new America, government officials must also create new policies to combat terrorism so this devastation and heartache will not be repeated. Precautionary plans and measures must be implemented so federal and local entities may take immediate action to contain the aftermath of such an attack.

This summer the Governor signed anti-terrorism legislation, which I supported, into law. Senate Bill 180 requires the Indiana Emergency Medical Services Commission to provide training and certification standards for the administration of antidotes, vaccines, and antibiotics in situations relating to a terrorist or military attack.

In addition, the legislation imposes criminal penalties for terrorism, agricultural terrorism, and false reporting of the placement or introduction of a weapon of mass destruction; as well as providing civil immunity

to paramedics and emergency medical technicians acting in response to a terrorist act.

Immediately following the attacks, President Bush began instituting measures to locate and bring to justice those responsible for these attacks as well as defend the United States against additional threats.



Firemen raise the American flag at the site of the worst act of terrorism on U.S. soil where the World Trade Center once stood in New York City.

Thousands of American military personnel are being deployed in preparation for retaliatory strikes against Osama Bin Laden and the al Qaida network who are suspected of masterminding the September 11 attacks.

In addition, Bush appointed Pennsylvania Governor Tom Ridge to head a new cabinet-level position known as the Office of Homeland

Security. This office will monitor terrorists and their activities and work to prevent further attacks. A Foreign Terrorist Asset Tracking Center has also been established which is responsible for locating and freezing the assets of known or suspected terrorist organizations.

The administration has also taken action to make our nation's airlines safer, allocating \$500 million for improvements to commercial jets including fortifications to prevent hijackers from gaining access to cockpits. Many flights will also carry Air Marshals who are trained to handle hijackings and other emergen-

cies. Federal agents will be posted at commercial airports to conduct baggage checks and monitor security.

Our prayers are with those families who have lost loved ones in these unprecedented terrorist attacks. Yet, we must not be afraid of what tomorrow may bring. Every Hoosier must combat terrorism in his or her own heart by continuing to live by the American way. United, we only grow stronger. Together, we will succeed and prevail over evil.

LARGEST SHARE OF GAMBLING PROFITS GOES
TO CUT "LICENSE PLATE TAX"

"Where does the lottery money go?" is a question I am often asked.

The state's share of profits from the Hoosier Lottery is combined with profits from river boat casinos, bingo and pari-mutuel horse racing into a single account known as the "Lottery and Gaming Surplus Account."

For the budget year which began July 1, expenditures from the state's share of profits are expected to total \$665.5 million. The largest share of the profits, \$235 million, will go to cut the "license plate tax," the excise tax Indiana motorists pay annually when renewing their vehicle license plates.

The second-largest recipients of gambling profits are Indiana homeowners. This year, \$200 million is dedicated to the Property Tax Replacement Fund to bridge a shortfall brought by overspending in other areas of the new state

budget.

Some gambling profits are used to reduce pension obligations to teachers, local police officers and firefighters. Funds are also set aside for computer enhancements in local schools and public libraries (the Indiana Technology Fund) and to support the development of hi-tech research (21st Century Research & Technology Fund).

Six percent of the profits goes to the Build Indiana Fund, which provides state funding for local projects ranging from firefighting and rescue equipment to street, sidewalk and park improvements.

Since 1990, the Build Indiana Fund has provided \$387 million for local projects. All 92 counties have received a portion of the funds.

If not for the Build Indiana Fund, many needed local projects either would not get done or property taxes would have been raised to finance them.

WHERE THE
MONEY GOES:
July 1, 2001-June 30, 2002

- Auto Excise Tax Reduction: \$234.7 million
- Property Tax Replacement Fund: \$200.0 million
- Build Indiana Fund Local Projects: \$38.9 million
- Indiana Technology Fund: \$26.3 million
- Teacher's Retirement Fund: \$30.0 million
- 21st Century Research and Technology Fund: \$25.0 million
- City & Town Police & Fire Pensions: \$30 million
- Sewer and Water: \$30.0 million
- Other State and Local: \$21.6 million
- Higher Education and Technology: \$29.0 million

PERCENTAGE OF
INDIANA 12TH GRADE
STUDENTS REPORTING
LIFETIME USE OF
ALCOHOL, TOBACCO,
AND OTHER DRUGS:
2001

- Alcohol: 78.6 %
- Amphetamines: 15.5%
- Cigarettes: 62.9%
- Cigars: 46.7%
- Cocaine: 9.0%
- Marijuana: 45.5 %
- Narcotics: 14.7%
- Smokeless Tobacco: 22.9%
- Tranquilizers: 16.5%

Statistics compiled by the Indiana
Prevention Resource Center

NEW CURFEW LAW TAKES EFFECT

Earlier this summer, a new curfew law went into effect to provide greater protection for Hoosier youth. After a federal court deemed a similar state curfew statute unconstitutional, State Senator David Ford authored an amended curfew bill which recognizes teens' constitutional rights while protecting their safety after hours. The final version of the bill passed the House 87-0, the Senate 47-0 and was signed by the Governor.

Like the old state law, the new legislation makes it illegal for youths younger than 15 to be out in public without their parents or guardian after 11 p.m. or before 5 a.m. on any day of the week.

The law for 15, 16, and 17 year-olds differs only on weekends when they are barred from being out between 1 a.m. and 5 a.m.

Several new exceptions have been added to the legislation to guarantee both parents' and students' rights including parental approval, educational or religious programs, jobs, emergencies, volunteering for not-for-profits and certain interstate travel. The legislation also makes defenses available to a child who is cited for a curfew violation, including those activities protected by federal or state law, such as conduct involving the free exercise of religion, freedom of speech and the right of assembly.